

Economic Impact of Covid-19 Pandemic on the Management of Small Scale Business in Nigeria (A Case Study of Africana Restaurant, Otefe-Oghara)

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ABSTRACT

The study examines the effect of covid-19 on the performance of small scale enterprises in Nigeria. Notably, the outbreak of the highly infectious disease in December 2019 disrupted economic activities as movements were restricted and businesses shut down. As a result many businesses could not survive the onslaught due to declining demand, decreasing revenue and falling profit. This resulted in high unemployment and poverty. The study employs the chi square statistics to examine the contemporaneous dynamics between covid-19 and operations of SMEs in Nigeria. The study finds that covid-19 severely affected the growth of SMEs in Nigeria during the pandemic era. It is therefore recommended by the study that the successful containment of the problems occasioned by covid-19 will require a combination of both micro and macro policies. Thus, given the strategic position occupied by small and medium scale enterprise, government may consider measures aimed at supporting them. Alternatively, a wide array of measures should be introduced to mitigate the economic impact of the coronavirus outbreak on businesses.

KEYWORDS: *Economic Performance, Coronavirus disease, Small Scale Business Enterprises, Chi Square.*

JEL Classification: I15, L25, O43

1. INTRODUCTION

The outbreak of coronavirus disease (covid-19) severely affected the global and the local economy particularly the small and medium scale enterprises (SMEs). It is a novel disease pandemic that emerged in Wuhan, Hubei province in China in December, 2019. According to Madubuike, Ishmael, Obichukwu, Chinwe & James (2020), covid-19 symbolizes viral pneumonia with associated symptoms of dry cough, fever, sore throat, body pain and diarrhea. The authors argue that individuals from poor socioeconomic backgrounds where the health system is vulnerable are likely to face a higher risk since covid-19 spread at a faster rate. Accordingly, the majority of countries in sub-Saharan Africa (SSA) are faced with prolonged health system vulnerabilities due to civil wars, post-military autocratic delayed reforms, corruption and the emigration of physicians/health workers and other skilled professionals (Madubuike et al., 2020). The covid-19 pandemic led to a global health emergency as well as economic slowdown on investment, employment, trade and economic growth all of which are adversely affected, a development which is bound to negate the achievement of a country's financial goals (Adekoya & Aibanagbee, 2020). In the aftermath of the outbreak of the disease, it began to spread through East Asia, Europe and North America in early 2020. Thereafter, the novel virus started affecting countries

in Africa and Latin America. With the largest population in sub-Saharan Africa (SSA), and long-standing travel and trade links within Africa and to the rest of the world, it seemed inevitable that the pandemic would eventually reach Nigeria. In late February, 2020, Nigeria recorded the subcontinent's first confirmed case, after which it began to spread throughout Lagos, Ogun State, and the Federal Capital Authority (FCT) Abuja (Onyekwena & Amara, 2020).

Nigeria has been severely hit by the spread of coronavirus disease. Accordingly, government policy was to enforce social distancing. Thus, all schools were closed by mid-March 2020, and several states and local authorities instituted bans on public and social gatherings. After a second case was reported in Lagos, the government banned foreign travelers from 13 "highly-infected" countries and stopped issuing visas on arrival. With 44 confirmed cases as at end of March, the government closed its land and air borders to all travelers for an initial period of 4 weeks, and suspended all passenger rail services (Onyekwena & Amara, 2020). A range of measures were implemented to contain the spread of the deadly virus. Notably, President Buhari announced "lockdown" measures to restrict the movement of residents outside of their homes and virtually all business operations including SMEs were closed down as well as closure of public

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and private schools, universities, stores and markets as well as suspension of public gatherings including religious and sporting events. Work at home was encouraged in several states and government institutions. By the end of April, 2020, the group of states under lockdown measures accounted for almost two-thirds of the national economy. Shortly afterwards the government issued exemptions for medical services, agricultural activities, food manufacturers and retailers, telecommunications and certain financial services. Later, the president announced some palliative measures, mainly food distribution and a 2-month advance payment of the conditional cash transfers made by the government to vulnerable citizens. Although, the restrictions were later relaxed by the government in September, 2020, economic activities especially SMEs did not operate at full capacity. This was mainly due to the fact that a comprehensive list of restrictions remains in place, including night time curfew, ban on non-essential inter-state passenger travels, partial and controlled interstate movement of goods and services, and mandatory use of face masks or coverings in public even as clubs and bars remained closed.

As restrictions on movement increased, stakeholders became increasingly apprehensive about the consequences for SMEs in Nigeria. In what later became clearer, as the government response to corona virus heighten, SMEs in Nigeria began to face difficulties in their operations due mainly to high costs of production and distribution thereby affecting the supply chain. The sudden onset of the pandemic and the scale of policy responses imposed significant economic costs on Nigeria's population, but the nature of the impacts on small and medium scale enterprises remain unclear. It is against this background that the study is germane. The rest of the paper is organized as follows. Section two presents relevant literature whilst method of study is presented in section three. In section four, results of findings are presented. Finally, section five concludes the paper with policy remarks.

Statement of the Problem

At the pick of the novel virus in July 2020, people were afraid to come out for any form of business activities for fear of contracting the deadly virus. This was compounded by the WHO guidelines regarding the application of social distancing, personal hygiene, especially hand hygiene and mask-wearing, aimed at reducing the spread of the novel disease. Thus, the corona virus pandemic had debilitating effects on SMEs operating in Nigeria's food industry. As the enforced restrictions roll on, the medium to long term impact on SMEs was worrisome most especially as SMEs produce, process, market, transport and sell the food products and associated services depended upon by many people in Nigeria. By far the most explicit impacts are hike in prices predicated on food shortages for consumers who rely on SMEs. Notably, bankruptcies and unemployment became rampant as most businesses including restaurants were shut down and only take away meals were permitted. This was not surprising as most small scale industries decreased work hours with attendant salaries cut occasioned by skeletal services. As would be expected, this led to reduction of workforce thereby leading to increase in unemployment and poverty. Essentially, the increase in criminality in recent time ranging from armed robbing to kidnapping, internet frauds and a host of others can be partly attributed to the negative effect of covid-19 on the small and medium scale

sector in Nigeria. Even though there were criminal activities such as kidnapping in Nigeria prior to the outbreak of the deadly disease and the attendant lockdowns that follow which led to the collapse of several businesses including SMEs around the world, armed robbery, banditry especially kidnappings for ransoms have only taken a very dangerous dimension in Nigeria. The stay-at-home rules aimed at containing the pandemic meant that the non-essential goods were less demanded. More worrisome was the government inability to provide cushions by way of interest free loans or outright disbursement of funds to the small business concern. This further spelt doom for the SMEs in Nigeria.

Objective of the Study

To determine the effect of covid-19 on small scale business.

Research Questions

Does covid-19 affects small scale business in Nigeria?

Hypothesis Formulation

The study shall test one hypotheses in null form.

Ho: There is no significant effect of covid-19 on small scale business in Nigeria.

Significance of the Study

The paper is relevance to manager of the Nigerian economy especially those making policy for the survival of SMEs in Nigeria. This is anchored on the findings of the study which shed light on both the financial fragility of many small businesses. More important is the significant effect covid-19 had on businesses operating in Nigeria in the wake of the pandemic that disrupted virtually all businesses. Also, the study is significant as findings provide evidence of business expectations on the longer term impact of covid-19 as well as their perceptions of relief programs offered by the government.

2. Review of Related Literature

As covid-19 is a new disease, literature on the subject is relatively sparse. The coronavirus disease otherwise known as covid-19 pandemic initially emerged in the Wuhan province of China in December 2019 (Adenomon, Maisamaa & John, 2020). Thereafter, it spilled over to other continents of the World recording a very high level of casualties on each passing day. The virus was declared a global pandemic by World Health Organisation (WHO) On 11 March, 2020. In Africa, Egypt recorded the first index case on 15th February 2020 (Medical Express News, 2020). The initial occurrence of the highly infectious disease was referred to as the first wave and almost all countries in the world have experienced the first and the second waves. Essentially, some countries in Europe like France, Germany and Britain are currently entering their third wave. Accordingly, lockdowns are underway. However, in Africa in general and Nigeria in particular, the rate of infectious has drastically drop. At the time of conducting this study the number of global confirmed cases reported in WHO dashboard as at 06 April 2021 have risen to 131, 487,572 with over 2.8 million death in 223 countries, areas or territories. Similarly, the number of confirmed cases in Nigeria in the same period stood at 163,388 while 2058 people have died from the novel disease. The United Nation Development Programme (UNDP) has described covid-19 as the worst global health tragedy of our time since World War 2 (UNDP, 2020). On its part, the Organization for Economic Co-operation and Development (OECD) in June 2020, noted that covid-19 is a global health crisis without precedent in history (OECD Economic Outlook,

2020). It is on this note that the International Labour Organization (ILO) estimated that about 195 million jobs would have been lost during the period. Similarly, the World Bank projected an annual decline of US\$110 billion in remittances which indicated that about 800 million people would have been cut-off from their basic needs. It may therefore not be out of place to infer that the trend which culminated in total lockdown in many countries, resulted in high mortality rate, acute malnutrition, gross inequality as well as erosion of confidence in the ruling elites.

From the empirical corridor, Shafi, Liu and Ren (2020) argue that the global disease severely affected Pakistani economy in a manner that micro, small, and medium-sized enterprises were struggling to survive. The study utilizes data from 184 Pakistani SMEs and thereby administered an online questionnaire. Descriptively, the study finds that SMEs in Pakistan suffer severely as their finances shrink, supply chain disruption, decline in demand, reduction in sales and revenue shortfalls. In Saudi Arabia, Tanveer, Hassan and Bhaumik (2020) examine to what extent covid-19 pandemic and quarantine affected the sustainability of business activities and consumer behavior. Applying KMO test on questionnaires generated through email and social media, the study finds that customer behavior was poor as to guarantee the sustainability of business development. The study argues that consumers were kept at home thereby making patronage of online purchases and home delivery.

Back home in Nigeria, Eromafuru (2020) avers that despite the enormous billions of dollars expended on procuring treatment aimed at controlling the disease, very little effort was made to curtail the number of casualties from the deadly spiral. His study assesses the impact of coronavirus pandemic on the socio-cultural and socio-economic performance of SMEs in Nigeria. A sample of 350 of all registered SMEs in manufacturing and service sectors was used for the study. The study finds that positive relationship exists between covid-19 pandemic and economic benefits in the private sector whilst negative correlation was observed between the virus disease and traditional lifestyles. Also, the study finds that a negative relationship between covid-19 pandemic and the people living standards. Finally, it was also observed by the study that a positive relationship exists between covid-19 disease and the level of uncertainties in the life of the people in the period under review. The study uses the Cochran's formula (1997) with questionnaires sourced on cross sectional research approach and multivariate regression model to explore the contemporaneous dynamics. Oyewale, Adebayo and Kehinde (2020) explore the effect of covid-19 pandemic disruption in economic activities on the performance of small and medium scale enterprise in Nigeria. The study uses electronic approach in data collection and undertook the analysis through the method of linear probability. In addition, a multivariate probit model was also employed. It was discovered by the study that a number of entrepreneurs were severely affected by the covid-19 pandemics and the attendant lockdown and movement restrictions imposed by the government. Finally, the study also finds that effect of covid-19 virus differs on sectors (agriculture versus non-agriculture). For instance, the study reveals that partial lockdown measures had an increasing likelihood effect on low sales on non-agricultural sector whilst food and agriculture sector experience an opposite effect.

Economic Role of Small Scale Enterprises in Nigeria

Several economic development advocates have come to realize the significant role of small scale enterprises. They are viewed to be characterized by dynamism, witty, innovations, effectiveness and the relative small size allows for faster decision making process in conducting business activities. Governments globally have realized the significance of this category of enterprises and have initiated cumulative public policies to encourage and fund the establishment of small scale enterprises. This is why Anthony (2020) argues that small business enterprises are becoming increasingly evident through a robust economy and the mobilization of local resource revolution, reduction in rural urban migration, uses of industries disposal and creation of employment opportunities which can be achieved by a conscious and systematic policy of development of small and medium enterprises. Small scale businesses are initially formed in traditional settings such as haircut and weaving. They help in maintaining craftsmanship, generating employment, maximize waste by using scrap materials from large firms as well as enhances economic sub-contracting.

Covid-19 Pandemic and Economic Performance in Nigeria

Economics around the world are fighting the effects of the covid-19 pandemic. As with most economic around the world, the sharp drop in Nigeria's GDP growth is largely due to the slowdown in economic activity after the country resorted to a lockdown in order to curb the spread of the virus. In the wake of the pandemic the World Bank forecasted a decline of -3.2% for 2020 – a 5% point drop from its previous projections. While the lockdown has since been eased in the wake of "heavy economic costs", the continued rise in cases – especially in Lagos, Nigeria's economic hub-meant that the local economy is yet to full re-open. Anecdotal evidence suggests that some small businesses closed because of changes in customer behavior, especially the physical distancing and mandated operational restrictions that began during the pandemic. Such businesses include food and educational services that were severely affected.

3. RESEARCH METHODOLOGY

As the study is focused on the food restaurant business, the research design encompasses ex post factor, questionnaire, interview and the chi square analytical tool.

Population, Sample and Sample Size

The population of the study include all staff Africana Restaurant, Otefe, Oghara estimated to be about fifty five (55) employees of both male and female staff. The study adopts the simple random sampling technique which enable all staff to be selected at random. Accordingly, the Taro Yamen formula is utilized for the sample size as follows:

$$n = \frac{N}{1+N(e)^2}$$

Where,

n = Sample size

N = Population

e = Margin of error 5% or 0.05

1 = Constant

$$n = \frac{55}{1+55(0.05)^2}$$

$$n = 1.138$$

$$n = 50$$

Method of Data Collection and Analysis

The data were both primary and secondary sources collected through questionnaires and personal interview whilst text books and journals. Accordingly, the chi-square technique was employed on the data. The formula for chi-square is denoted as follows;

$$X^2 = \sum \frac{(F_o - F_e)^2}{F_e}$$

Where,

F_o = Frequency observed

F_e = Frequency expected

Decision Rule

If the Chi Square (X^2) calculated is greater than Chi Square (X^2) Table we reject the null hypothesis and accept the alternative hypothesis and conclude that relationship exists between the variables under consideration

4. Data Presentation

A total of 50 questionnaire were distributed to the respondents which were fully completely and returned.

Data Analysis

The responses to questionnaire in the question are analyzed using percentage.

Table 1: Sex Distribution of Respondents

Sex	Number of respondents	Percentage (%)
Male	29	58
Female	21	42
Total	50	100

Table 1 reveals that 29 respondents representing 58% are male while 21 respondents or 42% are female.

Table 2: Age Distribution of Respondents

Age	Number of respondents	Percentage (%)
Below 20	10	20
21 – 30 years	10	20
31 – 40 years	6	4
41 – 50 years	14	40
51 – 60 years	5	8
Above 60	5	8
Total	50	100

Table 2 shows that 10 respondents representing 20% are below 20 years while 10(20%) respondents falls between 21-30 years. The Table further shows that 6, 14 and 5 respondents representing 4%, 40% and 8% respectively are of the brackets 31-40, 41-50 and 51-60 years. Finally those above 60 represents 8% of the population or 5 respondents.

Table 3: Academic Qualification of Respondents

Qualification	Number of respondents	Percentage (%)
WAEC	32	64
OND	18	36
HND/BSC	Nil	Nil
MSC/MBA	Nil	Nil
Total	50	100

Table 3 indicates that 32 respondents representing 64% are WAEC holders while 18 respondents or 36% are OND holders.

Table 4: Years of Service in Africana Kitchen Restaurant.

Option	Number of respondents	Percentage (%)
0-2 years	10	20
3-6 years	34	68
7 years and above	6	12
Total	50	100

As Table 4 reveals, 10 and 34 respondents each representing 20% and 68% respectively are 0-2 years and 3-6years while the remaining 6 respondents representing 12% are 7 years and above.

Table 5: Staff Position

Option	Number of respondents	Percentage (%)
Junior staff	37	74
Senior staff	13	26
Total	50	100

Table 5 shows that 37 respondents representing 74% are junior staff while 13 respondents or 26% are senior staff.

Question 1**Table 6: Does Covid-19 affects small scale business?**

Response	Number of respondents	Percentage (%)
Yes	30	60
No	20	40
Total	50	100

It can be observed in Table 6 that 30 respondents representing 60% affirmed yes response that corona virus affects small scale business while 20 respondents representing 40% said no.

Question 2**Table 7: Does Covid-19 affect the economic growth?**

Response	Number of respondents	Percentage (%)
Yes	7	14
No	43	86
Total	50	100

Table 7 depicts the responses of 7(14%) respondents who said yes that covid-19 affected the economic growth while 43 respondents representing 86% responded in the contrary.

Question 3**Table 8: Does Covid-19 affect free flow of goods and services of small scale business?**

Response	Number of respondents	Percentage (%)
Yes	35	70
No	8	16
Undecided	7	14
Total	50	100

As can be seen in Table 8, 35 respondents representing 70% said agree that covid-19 affected the free flow of goods and services of small scale business while 16% disagree. The remaining 7 respondents representing 14% were undecided.

Testing of Hypothesis

H_o : There is no significant relationship between effect of covid-19 and small scale business.

$$\text{Chi-square} = X^2 = \frac{\sum (fo - fe)^2}{fe}$$

Where,

X^2 = Chi-square

fo = Frequency observed

fe = Frequency expected

Response	Junior senior	Senior	Total	Percentage
Yes	7	3	10	20
No	24	16	40	80
Total	31	19	50	100

To calculate the expected frequency (fe) using the formula,

$$fe = \frac{\text{Column total} \times \text{Row total}}{\text{Grand total}}$$

For Junior Staff

$$fe \text{ for } 7 = \frac{31 \times 10}{50} = 6.2$$

$$fe \text{ for } 24 = \frac{31 \times 40}{50} = 24.8$$

For senior staff

$$fe \text{ for } 7 = \frac{19 \times 10}{50} = 3.8$$

$$fe \text{ for } 16 = \frac{19 \times 40}{50} = 15.2$$

Contingency Table

Option	Junior staff		Senior staff		Total
	Fo	Fe	Fo	Fe	
Yes	7	6.2	3	3.8	10
No	24	24.8	16	15.2	40
Total	31		19		50

$$X^2 = \frac{\sum (fo - fe)^2}{fe}$$

For Junior Staff

$$X^2 = \frac{(7 - 6.2)^2}{6.2} = 0.25$$

$$X^2 = \frac{(24 - 24.8)^2}{24.8} = 4.113$$

$$X^2 = \frac{(3 - 3.8)^2}{3.8} = 2.736$$

$$X^2 = \frac{(16 - 15.2)^2}{15.2} = 5.078$$

$$X^2 = 0.25 + 4.113 + 2.736 + 5.078 = 11.677$$

Calculated value = 11.677

Degree of freedom

$$Df = (2 - 1)(2 - 1) = (1)(1) = 1$$

The X^2 Table or level of significance 0.05(5%) is given as 3.840. Since X^2 calculated (11.68) greater than X^2 Table (3.84), we accept the alternative hypothesis in favour of the null hypothesis and conclude that covid-19 affected the operations of SMEs in Nigeria during the spike of the pandemic.

5. CONCLUDING REMARKS

The study focuses on the effect of covid-19 on the performance of small scale enterprises in Nigeria. Observably, the outbreak of the highly infectious disease in December 2019 disrupted economic activities as movements were restricted and businesses shut down. As a result many businesses could not survive the onslaught due to declining demand, falling revenue and decreasing profit. The results was unemployment and poverty which further led to various crimes with the most disturbing trend being banditry and kidnappings as currently witnessed in Nigeria. The study employs the chi square statistics to examine the contemporaneous dynamics between covid-19 and operations of SMEs in Nigeria. The study finds that covid-19 severely affected the growth of SMEs during the spike of the pandemic era. The results gave credence to the findings of Oyewale et al., (2020) and Eromafuru (2020) in Nigeria as well as Shafi et al., (2020) in Pakistan and Tanveer et al (2020) in Saudi Arabia. It is recommended therefore that the successful containment of the problems occasioned by covid-19 will require a combination of both micro and macro policies. Thus, given the strategic position occupied by small and medium scale enterprise, government should put measures in place to support them. While the first concern is public health, a wide array of measures should be introduced to mitigate the economic impact of the coronavirus outbreak on businesses. Specifically, government should urgently deploy measures to support SMEs and the self-employed during this severely challenging time, with a strong focus on initiatives to sustain short-term liquidity. For instance, the interventionist policy of the Central Bank of Nigeria should be holistic and sustained to support in lending by alleviating monetary conditions and enabling commercial banks to provide more loans to SMEs.

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